ALL GOOD VIBES

First quarter report | Fiscal 2018

For the three-month period ended June 30, 2017

STINGRAY

TABLE OF CONTENTS

Basis of preparation and forward looking statements

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Digital Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2017 and 2016, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2017. This MD&A reflects information available to the Corporation as at August 1, 2017. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com. The auditors of the Corporation have not performed a review of the interim financial report for the three-month periods ended June 30, 2017 and 2016.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words "could", "expect", "may", "will", "anticipate", "assume", "intend", "plan", "believes", "estimates", "guidance", "foresee", "continue" and similar expressions are intended to identify statements containing forward looking information, although not all forward-looking statements included such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2017 available on SEDAR.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not limited to, the following: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to our business, including any change to our licences with the CRTC; minimal changes to the distribution of the pay audio services by Pay-TV providers in light of recent CRTC policy decisions; our ability to manage risks related to international expansion; our ability to maintain good business relationships with our clients, agents and partners; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; our ability to protect our technology and intellectual property rights; our ability to manage and integrate acquisitions; our ability to retain key personnel; and our ability to raise sufficient debt or equity financing to support our business growth. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements. All of the forward-looking information in this MD&A is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this MD&A. The Corporation expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumption underlying them, whether as a result of new information, future events or otherwise, except as required by law.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation believes that Adjusted EBITDA and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted net income and Adjusted net income per share are important measures as it demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt including and excluding contingent considerations and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation's statement of financial position. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows

OVERVIEW

Stingray is a leading B2B multi-platform music and in-store media solutions provider operating on a global basis. The Corporation reaches an estimated 400 million TV subscribers (or households) in 156 countries. The Corporation broadcasts high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

The Corporation is headquartered in Montreal and currently has close to 320 employees worldwide, including in the United States, the United Kingdom, the Netherlands, Switzerland, France, Israel, Australia and South Korea.

KEY PERFORMANCE INDICATORS[1]

For the three months ended June 30, 2017:

$29.2 M
▲ 18.9% from Q1 2017
Revenues

$25.0 M
▲ 16.9% from Q1 2017
Recurring revenue

$9.2 M
▲ 16.3% from Q1 2017
31.4% margin[1]
Adjusted EBITDA[1]

$7.2 M
▲ 21.8% from Q1 2017
Adjusted free cash flow[1]

50.2%
% of international[2] revenues

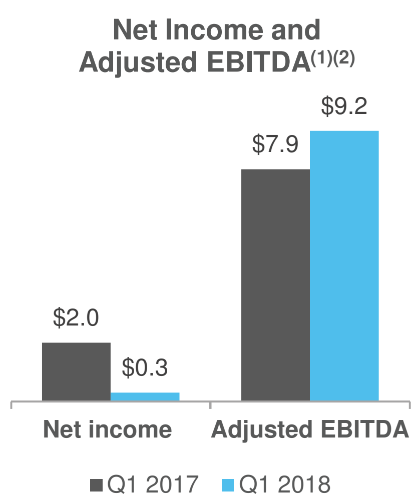
$0.05
▲ 11.1%
Quarterly dividend per share

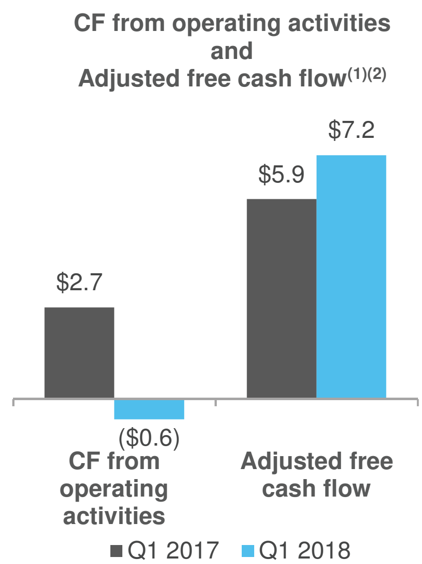
$0.3 M
▼ 86.3% from Q1 2017
Or $0.01 per share
Net income

$(0.6) M
▼ 121.6% from Q1 2017
CF from operating activities

Notes:
(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.
(2) International means all jurisdictions except Canada.

For the three months ended June 30, 2017 and June 30, 2016:





Note:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.
(3) Recurring revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include support, installation, equipment and one-time fees.

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the first quarter ended June 30, 2017

Compared to the quarter ended June 30, 2016 (“Q1 2017”):

- Revenues increased 18.9% to $29.2 million from $24.6 million for Q1 2017;
- Recurring revenues of $25.0 million (85.7% of total revenues), an increase of 16.9%;
- International revenues (including the U.S. and Other Countries) increased to 50.2% from 42.7%;
- Revenues in the U.S. increased 65.1% to $4.5 million;
- Adjusted EBITDA(1) increased 16.3% to $9.2 million from $7.9 million for Q1 2017;
- Adjusted EBITDA(1) margin was 31.4% compared with 32.1% for Q1 2017;
- Net income was $0.3 million ($0.01 per share) compared to $2.0 million for Q1 2017 ($0.04 per share);
- Adjusted Net income(1) increased 9.5% to $5.7 million ($0.11 per share) compared to $5.2 million ($0.10 per share) for Q1 2017;
- Cash flow from operating activities was $(0.6) million compared to $2.7 million in Q1 2017; and
- Adjusted free cash flow(1) increased 21.8% to $7.2 million compared to $5.9 million for Q1 2017.

Business Highlights:

- On July 31, 2017, the Corporation announced that it has acquired an Australian provider of in-store media solutions, SBA Music PTY Ltd for a consideration of AUD5,000 (CA$4,984).
- On July 31, 2017, the Corporation announced that it has concluded the acquisition of Satellite Music Australia PTY Ltd, a subsidiary of Macquarie Media Operations PTY Ltd and an Australian provider of in-store media solutions for a consideration of AUD5,900 (CA$5,881).
- On June 23, 2017, the Corporation announced the launch of an all-4K music television channel. The only 4K television channel made in Canada will launch in July 2017 and will be offered to all pay TV providers across the country.
- On June 16, 2017, the Corporation announced the launch of Stingray Music on Singapore’s Singtel, marking the service’s debut in the Asia-Pacific region.
- On June 8, 2017, the Corporation announced the launch of Stingray Classica, Stingray DJazz and Stingray Karaoke available now on Amazon Channels. Amazon Prime members in the United States can now subscribe to each channel for $6.99 per month after the 7-day free trial to access unlimited channel streaming.
- On May 26, 2017, the Corporation announced that it had acquired the music video television channel called C Music Entertainment Ltd (C Music), a London-based multi-award-winning satellite and cable television channel dedicated to classical, crossover and cinematic music videos.
- On May 9, 2017, the Corporation announced that it had acquired Israel-based Yokee Music Ltd. (Yokee Music), provider of three (3) social music apps regularly ranked in the music category’s top 10 in 100 countries: Yokee Karaoke, Yokee Guitar, and Yokee Piano. Together, the apps have reached over 80 million downloads in four (4) years and count 4 million monthly users, with over 50% year-over-year growth.
- On August 1, 2017, the Corporation increased the quarterly dividend by 11.1% to $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around September 15, 2017 to shareholders on record as of August 31, 2017.

Note:
(1) Refer to “Forward looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 6.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three-month period ended June 30, 2017 **Q1 2018**		Three-month period ended June 30, 2016 **Q1 2017**		Three-month period ended March 31, 2017 **Q4 2017**	
(in thousands of Canadian dollars)	**$**	**% of revenues**	**$**	**% of revenues**	**$**	**% of revenues**
Revenues	29,178	100.0 %	24,547	100.0 %	26,502	100.0 %
Recurring Revenues	25,010	85.7 %	21,401	87.2 %	22,683	85.6 %
Revenues	29,178	100.0 %	24,547	100.0 %	26,502	100.0 %
Music programming, cost of services and content	10,261	35.2 %	8,741	35.6 %	9,125	34.4 %
Selling and marketing	3,565	12.2 %	3,019	12.3 %	3,302	12.5 %
Research and development, support and information technology	2,978	10.2 %	2,349	9.6 %	2,324	8.8 %
General and administrative	5,497	18.8 %	3,482	14.2 %	6,385	24.1 %
Depreciation, amortization and write-off	5,162	17.7 %	3,761	15.3 %	4,619	17.4 %
Net finance (income) expense[3]	537	1.8 %	648	2.6 %	1,006	3.8 %
Change on fair value of investments	434	1.5 %	91	0.4 %	334	1.3 %
Income (loss) before income taxes	744	2.5 %	2,456	10.0 %	(593)	(2.2) %
Income taxes (recovery)	464	1.6 %	412	1.7 %	(5,201)	(19.6) %
Net income	280	1.0 %	2,044	8.3 %	4,608	17.4 %
Adjusted EBITDA[1]	9,169	31.4 %	7,881	32.1 %	9,046	34.1 %
Adjusted Net income[1]	5,703	19.5 %	5,207	21.2 %	10,534	39.7 %
Adjusted free cash flow[1]	7,240	24.8 %	5,943	24.2 %	7,991	30.2 %
Cash flow from operating activities	(589)	(2.0) %	2,722	11.1 %	10,826	40.8 %
Net debt	54,968	–	37,286	–	35,178	–
Net debt to TTM Adjusted EBITDA[1][2]	1.56x	–	1.18x	–	1.04x	–
Net income per share basic	0.01	–	0.04	–	0.09	–
Net income per share diluted	0.01	–	0.04	–	0.09	–
Adjusted Net income per share basic[1]	0.11	–	0.10	–	0.21	–
Adjusted Net income per share diluted[1]	0.11	–	0.10	–	0.20	–
Revenues by category						
Music Broadcasting	21,824	74.8 %	17,888	72.9 %	19,708	74.4 %
Commercial Music	7,354	25.2 %	6,659	27.1 %	6,794	25.6 %
Revenues	29,178	100.0 %	24,547	100.0 %	26,502	100.0 %
Revenues by geography						
Canada	14,527	49.8 %	14,077	57.3 %	14,000	52.8 %
United States	4,530	15.5 %	2,744	11.2 %	3,838	14.5 %
Other countries	10,121	34.7 %	7,726	31.5 %	8,664	32.7 %
Revenues	29,178	100.0 %	24,547	100.0 %	26,502	100.0 %

Notes:

(1) Refer to “Forward looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 6.

(2) Net debt to Adjusted EBITDA consists of Net debt divided by Adjusted EBITDA rolling twelve months.

(3) Interest paid during the Q1 2018 was $296 (Q1 2017; $260, Q4 2017; $269).

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Net debt and Net debt to Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See "Supplemental information on Non-IFRS Measures" on page 2.

The following tables show the reconciliation of Net income to Adjusted EBITDA:

(in thousands of Canadian dollars)	Three-month period ended June 30, 2017 **Q1 2018**	Three-month period ended June 30, 2016 **Q1 2017**	Three-month period ended March 31, 2017 **Q4 2017**
Net income	**280**	**2,044**	**4,608**
Net finance (income) expense	537	648	1,006
Change in fair value of investments	434	91	334
Income taxes (recovery)	464	412	(5,201)
Depreciation of property and equipment and write-off	621	574	724
Amortization of intangibles	4,541	3,187	3,895
Stock-based compensation	194	290	372
Restricted, performance and deferred share unit	313	326	688
Acquisition, legal fees, restructuring and other various costs	1,785	309	2,620
Adjusted EBITDA	**9,169**	**7,881**	**9,046**
Net finance (income) expense	(537)	(648)	(1,006)
Income taxes	(464)	(412)	5,201
Depreciation of property and equipment and write-off	(621)	(574)	(724)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expenses, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(1,844)	(1,040)	(1,983)
Adjusted Net income	**5,703**	**5,207**	**10,534**

The following table shows the reconciliation of Cash flow from operating activities to Adjusted free cash flow:

(in thousands of Canadian dollars)	Three-month period ended June 30, 2017 **Q1 2018**	Three-month period ended June 30, 2016 **Q1 2017**	Three-month period ended March 31, 2017 **Q4 2017**
Cash flow from operating activities	(589)	**2,722**	**10,826**
Add / Less :			
Capital expenditures	(1,211)	(632)	(522)
Net change in non-cash operating working capital items	7,255	3,544	(4,933)
Acquisition, legal fees, restructuring and other various costs	1,785	309	2,620
Adjusted free cash flow	**7,240**	**5,943**	**7,991**

The following table shows the calculation of Net debt:

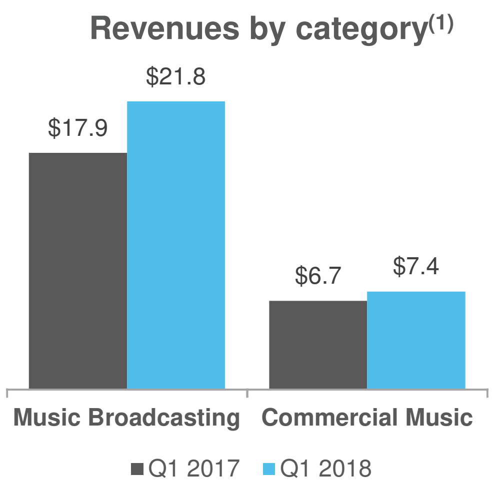
(in thousands of Canadian dollars)	**June 30, 2017**	**March 31, 2017**	**June 30, 2016**
Revolving facility	58,120	41,040	40,513
(Cash and cash equivalents)	(3,152)	(5,862)	(3,227)
Net debt	**54,968**	**35,178**	**37,286**

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

Revenues

Revenues in Q1 2018 increased to $29.2 million or 18.9%, from $24.6 million for Q1 2017. The increase in revenues was primarily due to the acquisitions of Yokee Music and Classica and combined with growth from Music Broadcasting with B2C Karaoke apps and subscription video on demand services in the United States as well as additional equipment sales in Commercial Music.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 22.0% or $3.9 million from Q1 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisitions of Classica, Much Channels, and Festival 4K and in Fiscal 2017, as well as Yokee Music and C Music in May 2017.

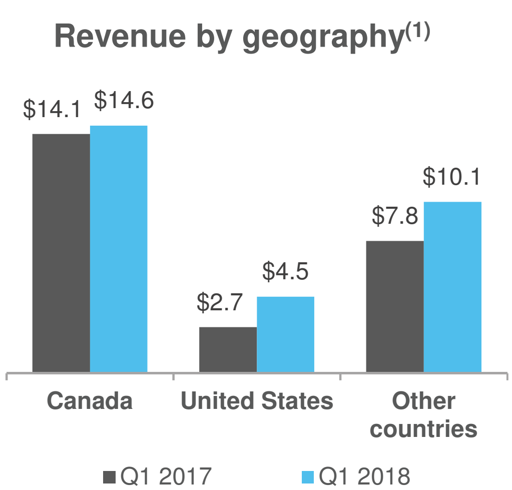
▲ Organic growth in the United States market, primarily related to B2C Karaoke apps and subscription video on demand services.

Commercial Music

The most significant contributors to the increase of 10.4% or $0.7 million from Q1 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Organic growth in sales of equipment and installation primarily related to digital signage.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 3.2% or $0.5 million from Q1 2017 in revenues for Canada were as follows (arrows reflect the impact):

▲ Organic growth in digital signage revenues as mentioned above.

United States

The most significant contributors to the increase of 65.1% or $1.8 million from Q1 2017 in United States revenues were as follows (arrows reflect the impact):

▲ The contribution of the Yokee Music acquisition as mentioned above and organic growth related to B2C Karaoke apps and subscription video on demand services.

Other Countries

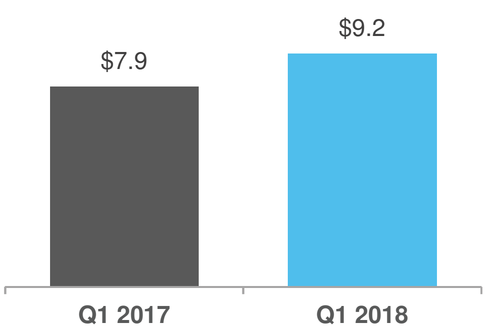
The most significant contributors to the increase of 31.0% or $2.3 million from Q1 2017 of revenues generated in other countries were as follows (arrows reflect the impact):

▲ Acquisition of Classica, C Music and Festival 4K.

Operating Expenses

(in thousands of Canadian dollars)	Q1 2018 % of revenues	Q1 2017 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$10,261 35.2%	$8,741 35.6%	$1,520	17.4%	▲	Primarily due to acquisitions that occurred in Fiscal 2017 and Q1 2018 and costs to support international organic growth. Costs related to additional equipment and installation sales.
Selling and marketing	$3,565 12.2%	$3,019 12.3%	$546	18.1%	▲	Primarily due to incremental selling costs from recent acquisitions and additional employees to support growth.
Information technology and research and development	$2,978 10.2%	$2,349 9.6%	$629	26.8%	▲	Primarily due to IT costs related to Yokee Music and additional staff to support new technologies and growth.
General and administrative	$5,497 18.8%	$3,482 14.2%	$2,015	57.9%	▲	Primarily due to higher legal fees, additional staff to support our international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	$5,162 17.7%	$3,761 15.3%	$1,401	37.3%	▲	Primarily due to the addition of intangible assets related to acquisitions.

Adjusted EBITDA[(1)(2)]



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Adjusted EBITDA in Q1 2018 increased to $9.2 million or 16.3%, from $7.9 million for Q1 2017. Adjusted EBITDA margin was 31.4% in Q1 2018 compared to 32.1% in Q1 2017. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2017 and Q1 2018 partially offset by higher operating expenses related to international expansion. The decrease in Adjusted EBITDA margin was mainly related to the recent acquisition of Yokee Music, additional equipment and installation sales and other product mix, which presents lower margins.

Acquisition, legal fees, restructuring and other various costs mainly included litigation fees and costs related to integration costs for our recent acquisitions.

Net Finance (Income) Expenses

Net finance (income) expenses decreased to $0.5 million from $0.6 million in Q1 2017. The decrease was related to the negative change in fair value of contingent consideration and balance payable on business acquisitions offset by the foreign exchange gain.

Change in fair value of investment

In Q1 2018, a loss on fair value of $0.4 million was recorded compared to a loss of $0.1 million in Q1 2017 which is explained by the translation in US$ considering a lower exchange rate.

Income Taxes

Income taxes increased to $0.5 million for Q1 2018 from $0.4 million for Q1 2017. The effective tax rate for the first quarter of 2018 was 62.4% compared with 16.8% for the first quarter of 2017. This increase in the effective tax rate is mainly due to variation of permanent differences of non-taxable income related to foreign exchange variation and reevaluation of other payables occurred in Q1 2017. These items were not recurrent in Q1 2018.

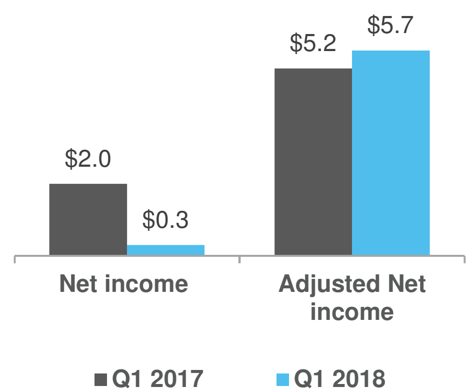
Net income and net income per share

Net income in Q1 2018 was $0.3 million ($0.01 per share) compared to a net income of $2.0 million ($0.04 per share) in Q1 2017. The decrease was mainly attributable to higher legal fees, higher amortization expense of intangible assets as well as negative change in fair value of investment and contingent considerations partially offset by higher operating results and a gain on foreign exchange.

Adjusted Net income and Adjusted Net income per share

Adjusted Net income in Q1 2018 increased to $5.7 million ($0.11 per share) or 9.5%, from $5.2 million ($0.10 per share) in Q1 2017. The increase was primarily due to higher Adjusted EBITDA partially offset by higher income net tax expenses.

Net income and Adjusted Net income(1)(2)



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Quarterly results

Revenues increased over the last eight quarters from $21.3 million in the second quarter of Fiscal 2016 to $29.2 million in the first quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and new contracts in international markets and in Canada. The sequential decrease in Q1 2017 and Q2 2017 revenues compared to Q4 2016 was mainly related to lower non-recurring revenues in Music Broadcasting and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Adjusted EBITDA increased from $7.6 million in the second quarter of Fiscal 2016 to $9.2 million in the first quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and new contracts signed. The decrease in Q1 2017 Adjusted EBITDA compared to Q4 2016 was mainly related to the decrease in non-recurring revenues in Music Broadcasting and incremental costs related to acquisitions with future synergies to be realized and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Net income fluctuated over the last eight quarters from $9.2 million in the second quarter of Fiscal 2016 to a net income of $0.3 million in the first quarter of Fiscal 2018. In Q2 2016, the most significant component of the increase was the recognition of a gain on fair value of investment of $7.5 million, which was offset by a related tax impact of $1.0 million. Furthermore, a gain on fair value of contingent consideration and balance payable on business acquisitions of $1.1 million was also recognized. In Q4 2016, the Corporation recorded an income tax recovery on deferred tax assets related to tax losses of foreign subsidiaries of $3.4 million, offset by the loss on fair value of investments of $1.1 million, which was related to unfavorable foreign exchange between the Canadian dollar and the U.S. dollar as the investment is denominated in U.S. dollars. In Q4 2017, the Corporation recorded an income tax recovery on deferred tax assets related to tax losses of foreign subsidiaries of $5.1 million. In Q1 2018, the decrease in net income was mainly related to higher legal fees expenses and higher amortization expense on intangibles assets related to business acquisitions.

Summary of Consolidated Quarterly Results

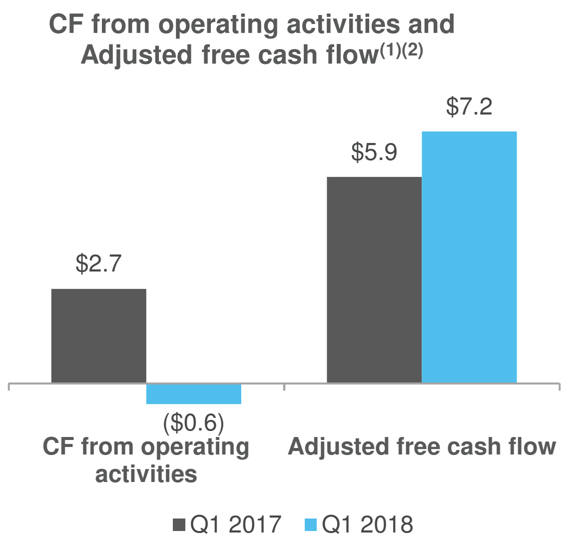
	Quarters ended							
(in thousands of Canadian dollars, except per share amounts)	**June 30, 2017**	**March 31, 2017**	**Dec. 31, 2016**	**Sept. 30, 2016**	**June 30, 2016**	**March 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**
	Fiscal 2018	**Fiscal 2017**	**Fiscal 2017**	**Fiscal 2017**	**Fiscal 2017**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2016**
Revenues by category								
Music Broadcasting	21,824	19,708	19,295	18,009	17,888	19,425	17,013	15,614
Commercial Music	7,354	6,794	6,630	6,518	6,659	6,233	6,076	5,688
Total revenues	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**
Revenues by geography								
Canada	14,527	14,000	14,004	14,045	14,077	13,500	13,759	13,094
International[(1)]	14,651	12,502	11,921	10,482	10,470	12,158	9,330	8,208
Total revenues	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**
Recurring revenues	25,010	22,683	21,944	21,584	21,401	21,860	19,699	18,785
Recurring revenues as a percentage of total revenues	85.7%	85.6%	84.6%	88.0%	87.2%	83.7%	85.3%	88.2%
Adjusted EBITDA	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**
Net income	**280**	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**
Net income per share basic	0.01	0.09	0.05	0.03	0.04	0.06	0.06	0.18
Net income per share diluted	0.01	0.09	0.05	0.03	0.04	0.06	0.06	0.18
Adjusted Net income	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**
Adjusted Net income per share basic	0.11	0.21	0.12	0.11	0.10	0.14	0.12	0.12
Adjusted Net income per share diluted	0.11	0.20	0.12	0.10	0.10	0.14	0.12	0.12

Note:
(1) International means all jurisdictions except Canada.

Reconciliation of Quarterly Non-IFRS Measures

	Quarters ended							
(in thousands of Canadian dollars)	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015
	Fiscal 2018	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016	Fiscal 2016
Net income	**280**	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**
Net finance (income) expenses	537	1,006	9	373	648	836	(810)	(1,310)
Change in fair value of investment	434	334	(583)	(250)	91	1,113	(646)	(7,549)
Income taxes (recovery)	464	(5,201)	706	487	412	(1,428)	920	2,117
Depreciation of property and equipment and write-off	621	724	574	546	574	594	609	488
Amortization of intangibles	4,541	3,895	3,686	3,982	3,187	2,624	3,443	3,592
Stock-based compensation	194	372	372	298	290	390	369	371
Restricted, performance and deferred share unit expenses	313	688	550	444	326	319	227	242
IPO expenses and CRTC tangible benefits	–	–	–	–	–	21	–	305
Acquisition, legal fees, restructuring and other various costs	1,785	2,620	743	935	309	503	728	127
Adjusted EBITDA	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**
Net finance (income) expenses	(537)	(1,006)	(9)	(373)	(648)	(836)	810	1,310
Income taxes (recovery)	(464)	5,201	(706)	(487)	(412)	1,428	(920)	(2,117)
Depreciation of property and equipment and write-off	(621)	(724)	(574)	(546)	(574)	(594)	(609)	(488)
Income taxes related to change in fair value of investment, share-based compensation, restricted, performance and deferred share unit expenses, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, legal fees, restructuring and other various costs	(1,844)	(1,983)	(1,264)	(1,409)	(1,040)	(1,082)	(1,096)	(132)
Adjusted Net income	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**

LIQUIDITY AND CAPITAL RESOURCES



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Cash flow from operating activities

Cash flow used in operating activities amounted to $0.6 million for Q1 2018 compared to cash flow generated from operating activities of $2.7 million for Q1 2017. The decrease was mainly due to the negative net change in working cash capital items associated with higher accounts receivables, higher trade payables paid and higher other current assets as well as higher income taxes paid. This decrease was partially offset by higher operating results.

Adjusted free cash flow

Adjusted free cash flow in Q1 2018 increased to $7.2 million or 21.8%, from $5.9 million in Q1 2017. The increase was mainly related to higher operating results and foreign exchange gain partially offset by higher capital expenditures.

Investing Activities

Net cash flow used in investing activities amounted to $12.2 million for Q1 2018 compared to $5.2 million for Q1 2017. The increase of $7.0 million was related to the acquisition of Yokee Music and C Music as well as higher capital expenditures.

Financing Activities

Net cash flow generated from financing activities amounted to $10.1 million for Q1 2018 compared to $2.5 million for Q1 2017. The increase of $7.6 million was mainly attributable to the net increase in the revolving credit facility offset by the dividend payment and contingent consideration paid for Digital Music Distribution Pty Ltd. and Telefonica – On the spot and the balance payable on business acquisitions of Nümedia.

Contractual Obligations

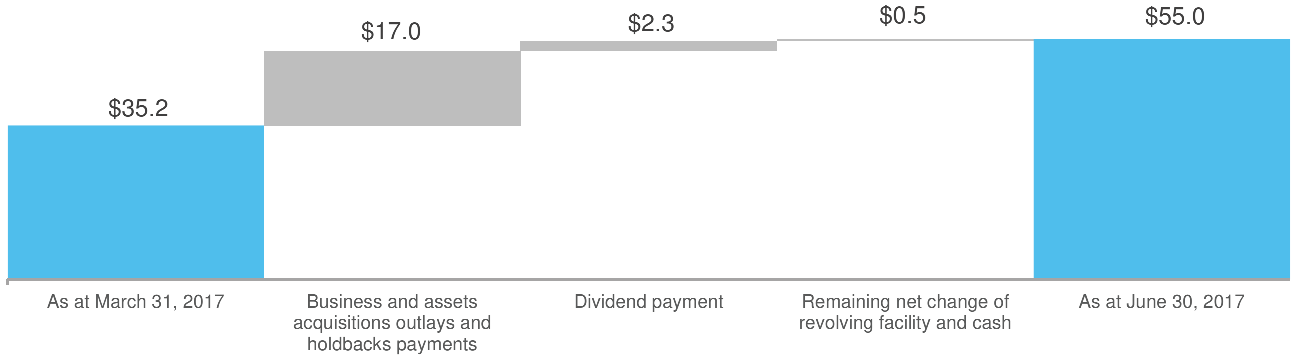
The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2017 except for obligations related to the rental of office space.

Operating lease

On May 9, 2016, the Corporation signed a letter of intent for the renewal of its lease and to add additional space in the building under construction located at 99 Prince, Montréal, with a commencement date of July 1, 2017. The renewal of the lease is for a period of five years with an option to extend for an additional term of five years. The estimated commitment under the terms of the operating lease for the premises amounts to $8.7 million.

The following table summarizes the impact on the Net debt that occurred in the period ended June 30, 2017 including related ratios:

Movement in Net debt(1)(2)(3)



$33.9	Trailing 12-Month Adjusted EBITDA(1)(2)(3)	$35.2
1.04	Net debt to Adjusted EBITDA(1)(2)(3)	1.56

Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.
(3) Adjusted EBITDA is calculated on the last twelve months in regards to the Net debt to Adjusted EBITDA ratio.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation between June 30, 2017 and March 31, 2017:

(in thousands of Canadian dollars)	June 30, 2017	March 31, 2017	Variance		Significant contributions
Trade and other receivables	$29,831	$27,020	$2,811	▲	Attributable to receivables from acquisitions and additional sales in broadcast music in the United States and Commercial Music in Canada.
Intangible assets	$59,447	$49,519	$9,928	▲	Mainly attributable to the recognition of intangibles through business acquisitions offset by amortization in the current period.
Goodwill	$75,363	$68,788	$6,575	▲	Goodwill related to the acquisition of Yokee Music and C Music.
Accounts payable and accrued liabilities	$28,569	$29,783	$(1,214)	▼	Mainly attributable to payables from acquisitions and the timing of payments to suppliers.
Revolving facility	$58,120	$41,040	$17,080	▲	Mainly attributable to business acquisitions, quarterly dividend and payments of contingent consideration and balance payable on business acquisitions.
Contingent consideration and balance payable on business acquisitions, including current portion	$21,243	$18,801	$2,442	▲	Mainly attributable to the recognition of Yokee Music and C Music contingent consideration offset by the payments of Digital Music Distribution Pty Ltd. and Telefonica – On the spot contingent consideration and Nümedia balance payable on business acquisition.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against the Corporation on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045. On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121. The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA, Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, the parties exchanged Initial Disclosures, and Stingray served its invalidity contentions on November 28, 2016. The parties exchanged amended infringement and invalidity contentions on April 28, 2017. In addition, on November 14, 2016, Stingray filed an amended answer and counterclaims which included inequitable conduct counterclaims based on David Del Beccaro's (and the other inventors') failure to disclose a product offered by Music Choice Europe in or about 2001 to the patent office and their misrepresentations to the patent office that they are the true inventors of the patents-in-suit. Music Choice moved to dismiss and strike Stingray's inequitable conduct counterclaims, which the Corporation opposed on January 4, 2017. On May 3, 2017, the magistrate judge handling the case issued a Report and Recommendation that the motion be dismissed. Fact discovery has commenced, and the parties have exchanged written discovery requests and produced documents. Stingray has deposed many of the patent inventors, and will be taking the deposition of Music Choice over the next few months. Music Choice has noticed Stingray's deposition, which will likely take place in July 2017. The Markman hearing on the issues of claim construction and claim definiteness was held on June 12, 2017 and the Court entered a claim construction order on July 6, 2017. Trial is scheduled for February 5, 2018.

Stingray v. Music Choice

SMU filed its Complaint on August 30, 2016, asserting claims of unfair competition under the Federal Lanham Act, defamation, trade libel, tortious interference, and common law unfair competition, stemming from misrepresentations of fact made by Music Choice regarding the nature, characteristics and qualities of Stingray Music and its products and services, to SMU's existing and potential customers, with the goal of damaging SMU's relationships with those customers and its business generally. On October 17, 2016, Music Choice filed a Motion to Dismiss on the grounds that all of SMU's claims are time-barred. In response, on November 3, 2016, SMU filed an Amended Complaint, after which (on December 7, 2016), Music Choice moved to dismiss only the state law claims. Music Choice also filed a motion to transfer the case to the Eastern District of Pennsylvania. On January 4, 2017, SMU opposed both motions. In addition, SMU filed a motion to consolidate the action with the Music Choice patent infringement action.

On March 16, 2017, the Court denied Music Choice's motion to change venue, and granted SMU's motion to consolidate, ordering that this action be consolidated for all pretrial issues with the Music Choice v. Stingray action. Music Choice's motion to dismiss the state law claims remains pending. On March 30, 2017, Music Choice answered SMU's complaint (except for the state law claims that remain subject to its pending motion to dismiss) and asserted a counterclaim against SMU and the Corporation. Music Choice's counterclaim alleges that the Stingray entities misused Music Choice confidential data in violation of various non-disclosure agreements (the "NDAs"). These non-disclosure agreements arose from discussions between the parties concerning a possible acquisition of Music Choice by the Corporation. The Corporation's entities answered the counterclaim on April 28, 2017, denying the allegations and asserting various affirmative defenses, including that Music Choice acted fraudulently and in bad faith with regard to the NDAs. Fact discovery has commenced and the parties have exchanged written disclosures and made initial document productions. Trial is currently set for February 5, 2018.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, Stingray, together with its Canadian Broadcast Distribution Undertaking customers (collectively, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (collectively, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo. The Copyright Board of Canada will now begin its deliberations, and Stingray expects a decision in about 18-36 months, based on past experience and the complexity of this proceeding.

Transactions Between Related Parties

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and certain other key employees of the Corporation.

Key management personnel compensation and directors fees include the following:

(in thousands of Canadian dollars)	Three-month period ended June 30, 2017 **Q1 2018**	Three-month period ended June 30, 2016 **Q1 2017**
Short-term employee benefits	935	781
Share-based compensation	159	160
Restricted share unit	81	47
Deferred share unit	124	116
	1,299	1,104

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements, other than operating leases (which have been discussed under "Contractual Obligations"), that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	July 31, 2017	June 30, 2017
Issued and outstanding shares:		
Subordinate voting shares	34,705,742	34,707,742
Variable Subordinate voting shares	326,339	324,339
Multiple voting shares	16,294,285	16,294,285
	51,326,366	51,326,366
Outstanding stock options:		
Stock options	2,058,606	2,058,606

The Corporation has established a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. In the first quarter of 2018, 661,421 options were granted to eligible employees, subject to service vesting criteria of 4 years of service.

Financial Risk Factors

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The condensed interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2017. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's AIF dated June 8, 2017. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, please refer to page 33 of the unaudited condensed interim consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. The Corporation's internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework").

The Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There have been no changes in the Corporation's internal control over financial reporting that occurred during the period that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Management's assessment of and conclusion on the design of the Corporation's ICFR as at August 2, 2017, did not include the controls or procedures of the operations of Classica GmbH, Think Inside the Box (Nature Vision), C Music Entertainment Ltd and Yokee Music LTD., which were acquired in Fiscal 2017 and 2018. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Acquisitions

On July 31, 2017, the Corporation announced that it has acquired an Australian provider of in-store media solutions, SBA Music PTY Ltd for a consideration of AUD5,000 (CA$4,984).

On July 31, 2017, the Corporation announced that it has concluded the acquisition of Satellite Music Australia PTY Ltd, a subsidiary of Macquarie Media Operations PTY Ltd and an Australian provider of in-store media solutions for a consideration of AUD5,900 (CA$5,881).

Dividend

The Corporation's dividend policy is at the discretion of the Board of Directors and may vary depending upon, among other things, our available cash flow, results of operations, financial condition, business growth opportunities and other factors that the Board of Directors may deem relevant.

On August 1, 2017, the Corporation increased the dividend by 11.1 % to $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around September 15, 2017 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of August 31, 2017.

Additional Information

Additional information about the Corporation is available on our website at www.stingray.com and on the SEDAR website at www.sedar.com.

Consolidated Statements of Comprehensive Income

Three-month period ended June 30, 2017 and 2016

(In thousands of Canadian dollars, except per share amounts)		Three-month periods ended	
(Unaudited)		June 30,	June 30,
	Note	2017	2016
Revenues		$ 29,178	$ 24,547
Music programming, cost of services and content		10,261	8,741
Selling and marketing		3,565	3,019
Research and development, support and information technology		2,978	2,349
General and administrative		5,497	3,482
Depreciation, amortization and write-off	5, 7	5,162	3,761
Net finance expense	6	537	648
Change in fair value of investments	12	434	91
Income before income taxes		744	2,456
Income taxes		464	412
Net income		$ 280	$ 2,044
Net income per share – Basic		0.01	0.04
Net income per share – Diluted		0.01	0.04
Weighted average number of shares – Basic		51,326,366	51,121,070
Weighted average number of shares – Diluted		51,858,330	51,597,745
Comprehensive income			
Net income		$ 280	$ 2,044
Other comprehensive income (loss), net of tax			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		256	(819)
Total other comprehensive income (loss)		256	(819)
Total comprehensive income		$ 536	$ 1,225

Net income is entirely attributable to Shareholders.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Financial Position

June 30, 2017 and March 31, 2017

(In thousands of Canadian dollars) (Unaudited)	Note		June 30, 2017		March 31, 2017
Assets					
Current assets					
Cash and cash equivalents		$	3,152	$	5,862
Trade and other receivables			29,831		27,020
Research and development tax credits			687		486
Income taxes receivable			178		–
Inventories			1,032		1,233
Other current assets			5,796		4,780
			40,676		39,381
Non-current assets					
Property and equipment	7		6,509		5,336
Intangible assets	7		59,447		49,519
Goodwill	7		75,363		68,788
Investments	12		16,917		17,351
Investment in joint venture			761		738
Other non-current assets			985		954
Deferred tax assets			11,172		12,225
Total assets		$	211,830	$	194,292
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities			28,569		29,783
Deferred revenues			657		1,094
Current portion of other payables	8		7,359		9,498
Income taxes payable			–		184
			36,585		40,559
Non-current liabilities					
Revolving facility			58,120		41,040
Other payables	8		17,135		13,040
Deferred tax liabilities			6,659		4,705
Total liabilities			118,499		99,344
Shareholders' equity					
Share capital	9		102,700		102,700
Contributed surplus			3,066		2,872
Deficit			(12,366)		(10,299)
Accumulated other comprehensive loss			(69)		(325)
Total equity			93,331		94,948
Total liabilities and equity		$	211,830	$	194,292

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors,

(Signed) Eric Boyko, Director　　　　(Signed) Pascal Tremblay, Director

Consolidated Statements of Changes in Equity

Three-month periods ended June 30, 2017 and 2016

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital											
	Number		Amount		Contributed surplus		Deficit		Accumulated other comprehensive income (loss)		Total shareholders' equity
Balance at March 31, 2016	51,107,975	$	102,040	$	2,196	$	(14,646)	$	804	$	90,394
Issuance of shares upon exercise of options	75,000		213		(135)		–		–		78
Share-based compensation (note 11)	–		–		191		–		–		191
Net income	–		–		–		2,044		–		2,044
Other comprehensive loss	–		–		–		–		(819)		(819)
Balance at June 30, 2016	51,182,975	$	102,253	$	2,252	$	(12,602)	$	(15)	$	91,888
Balance at March 31, 2017	51,326,366	$	102,700	$	2,872	$	(10,299)	$	(325)	$	94,948
Dividends (note 9)	–		–		–		(2,310)		–		(2,310)
Share-based compensation (note 11)	–		–		194		–		–		194
Net income	–		–		–		280		–		280
Other comprehensive income (loss)	–		–		–		(37)		256		219
Balance at June 30, 2017	51,326,366	$	102,700	$	3,066	$	(12,366)	$	(69)	$	93,331

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three-month periods ended June 30, 2017 and 2016

(In thousands of Canadian dollars) (Unaudited)	Note	Three-month periods June 30, 2017	 June 30, 2016
Operating activities:			
Net income		$ 280	$ 2,044
Adjustments for:			
Share-based compensation	11	194	191
Restricted and performance share unit expense	11	189	210
Deferred share unit expense	11, 13	124	116
Depreciation and disposal of property and equipment	7	621	574
Amortization of intangible assets	7	4,541	3,187
Amortization and write-off of financing fees	6	17	25
Other interest expense	6	332	276
Change in fair value of investments	12	434	91
Change in fair value of contingent consideration and balance payable on business acquisitions	6	597	(68)
Accretion expense of CRTC tangible benefits	6	65	77
Share of results of joint venture		(23)	(30)
Income taxes expense		464	412
Interest paid		(296)	(260)
Income taxes paid		(873)	(579)
		6,666	6,266
Net change in non-cash operating items	10	(7,255)	(3,544)
		(589)	2,722
Financing activities:			
Increase in the revolving facility		17,080	5,478
Payment of dividend		(2,310)	(1,789)
Proceeds from the exercice of stock options		–	78
Repayment of other payables		(4,680)	(1,247)
Other		–	(44)
		10,090	2,476
Investing activities:			
Business acquisitions, net of cash acquired	3	(11,000)	(1,540)
Acquisition of property and equipment		(807)	(580)
Acquisition of intangible assets		(404)	(52)
Deposit on acquisition of intangible assets		–	(3,000)
		(12,211)	(5,172)
Increase (decrease) in cash and cash equivalents		(2,710)	26
Cash and cash equivalents, beginning of period		5,862	3,201
Cash and cash equivalents, end of period		$ 3,152	$ 3,227

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

1. Significant changes and highlights:

The condensed interim consolidated financial position and performance of Stingray Digital Group Inc. (the "Corporation") was particularly affected by the following events and transactions during the period ended June 30, 2017:

- On May 26, 2017, the Corporation signed an agreement to acquire and operate a classical and cinematic music video television channel called C Music TV, for a total consideration of GBP3,820 (CA$6,612). It resulted in the recognition of goodwill (notes 3 and 7), intangibles assets (notes 3 and 7) and contingent consideration (notes 3 and 8).
- On May 8, 2017, the Corporation signed an agreement to acquire Yokee Music LTD., an Israel-based provider of three social music apps regularly: Yokee, Yokee Guitar, and Yokee Piano for a total consideration of US$9,436 (CA$12,533). It resulted in the recognition of goodwill (notes 3 and 7), intangibles assets (notes 3 and 7) and contingent consideration (notes 3 and 8).

2. Subsequent events:

Acquisitions

On July 31, 2017, the Corporation announced that it has acquired an Australian provider of in-store media solutions, SBA Music PTY Ltd for a consideration of AUD5,000 (CA$4,984).

On July 31, 2017, the Corporation announced that it has concluded the acquisition of Satellite Music Australia PTY Ltd, a subsidiary of Macquarie Media Operations PTY Ltd and an Australian provider of in-store media solutions for a consideration of AUD5,900 (CA$5,881).

Dividend

On August 1, 2017, the Corporation has declared dividend of $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around September 15, 2017 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of August 31, 2017.

3. Business acquisitions:

Period ended June 30, 2017

C Music Entertainment Limited

On May 26, 2017, the Corporation purchased all of the outstanding shares of C Music Entertainment Limited (“C Music TV”), for a total consideration of GBP3,820 (CA$6,612). C Music TV is a London-based satellite and cable television channel dedicated to classical, crossover, and cinematic music videos. As a result of the acquisition, goodwill of $2,553 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $742 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a fixed amount of GBP1,440 (CA$2,492) upon achievement of certain revenues targets over the next 2 years ending in April 2019. In addition, in the event that the Corporation exceeds the revenues targets, the Corporation shall pay the excess revenues to the former owners. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows.

(In thousands of Canadian dollars, unless otherwise stated)

The results of the business acquisition of C Music TV for the year ended June 30, 2017 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to June 30, 2017 were $122 and net loss was $35. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $312 and net loss would have been $90.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	8
Trade receivables		742
Property and equipment		41
Intangible assets		4,516
Goodwill		2,553
		7,860
Liabilities assumed :		
Accounts payable and accrued liabilities		429
Deferred tax liabilities		819
		1,248
Net assets acquired at fair value	$	6,612
Consideration given :		
Cash		3,739
Working capital adjustment		270
Contingent consideration		2,603
	$	6,612

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm fair value of certain assets and liabilities is still to be obtained

Yokee Music Limited

On May 8, 2017, the Corporation purchased all of the outstanding shares of Yokee Music LTD. (“Yokee”) for a total consideration of US$9,346 (CA$12,533). Yokee is an Israel-based provider of three social music apps regularly: Yokee, Yokee Guitar, and Yokee Piano. As a result of the acquisition, goodwill of $3,561 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $926 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a fixed amount of US$3,000 (CA$4,023) over the next 3 years ending in April 2020. In addition, the Corporation shall pay an additional amount of $US3,500 (CA$4,695) over the same period of time if certain conditions are met. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows.

(In thousands of Canadian dollars, unless otherwise stated)

The results of the business acquisition of Yokee for the year ended June 30, 2017 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to June 30, 2017 were $849 and net loss was $90. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $1,442 and net loss would have been $152.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	1,342
Trade receivables		926
Other current assets		34
Property and equipment		114
Intangible assets		9,642
Goodwill		3,561
		15,619
Liabilities assumed :		
Accounts payable and accrued liabilities		676
Deferred tax liabilities		2,410
		3,086
Net assets acquired at fair value	$	12,533
Consideration given :		
Cash		8,611
Contingent consideration		3,922
	$	12,533

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm fair value of certain assets and liabilities is still to be obtained.

4. Segment information:

Business description

The Corporation is incorporated under the *Canada Business Corporations Act.* The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Services Limited Partnership, Stingray Business Inc., Music Choice Europe Limited, Stingray Digital International Ltd., Music Choice India Private Ltd., Xtra Music Ltd., Stingray Europe B.V., Alexander Medien Gruppe B.V., *Les Réseaux Urbains Viva Inc,* Brava HDTV B.V., Brava NL B.V., DJazz B.V., Transmedia Communications SA and its wholly-owned subsidiaries, Digital Music Distribution Pty Ltd, 9076-3392 Québec Inc. (doing business as Nümédia) and Festival 4K B.V., Classica GmbH and its wholly-owned subsidiary Classica Asia GmbH, Think inside the box LLC (Nature Vision TV), Yokee Music Limited and C Music Entertainment Limited.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Operating segments

Under IFRS 8, *Operating Segments*, the Corporation determined that it operated in a single operating segment since operations, resources and assets are mainly centralized, optimized and managed in Canada. International operations are leveraged from Canadian expertise.

The following tables provide geographic information on Corporation's revenues, property and equipment, intangibles assets and goodwill.

Revenue is derived from the following geographic areas based on selling locations.

	Three-month periods ended	
	June 30, 2017	June 30, 2016
Revenues		
Canada	$ 14,527	$ 14,077
United States	4,530	2,744
Other countries	10,121	7,726
	$ 29,178	$ 24,547

Long-term assets are derived from the following geographic areas based on subsidiaries locations.

	June 30, 2017	March 31, 2017
Property and equipment, Intangible assets and goodwill		
Canada	$ 51,870	$ 52,172
Netherlands	23,484	23,057
United Kingdom	20,787	14,954
Israel	12,268	–
Australia	11,143	11,600
Germany	7,769	7,679
Other countries	13,998	14,181
	$ 141,319	$ 123,643

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

5. Other information:

The following table shows the depreciation, amortization and write-off distributed by function:

	Three-month periods ended June 30, 2017	June 30, 2016
Depreciation, amortization and write-off :		
Music programming, cost of services and content	$ 4,729	$ 3,388
General and administrative	433	373
	$ 5,162	$ 3,761

The music programming, cost of services and content and the general and administrative expense would have been respectively $14,990 (2016 – $12,129) and $5,930 (2016 – $3,855), if the presentation by function of the depreciation, amortization and write-off expense would have been adopted in the statements of comprehensive income.

During the three-month period ended June 30, 2017, transaction costs related to business acquisitions amounting to $120 (2016 – $7) have been recognized in general and administrative in the statements of comprehensive income.

6. Net finance (income) expense:

	Three-month periods ended June 30, 2017	June 30, 2016
Interest expense and standby fees	$ 332	$ 276
Change in fair value of contingent consideration and balance payable on business acquisitions	597	(68)
Accretion expenses of CRTC tangible benefits payable	65	77
Amortization and write-off of financing fees	17	25
Foreign exchange loss (gain)	(474)	338
	$ 537	$ 648

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

7. Property and equipment, intangible assets and goodwill:

	Property and equipment	Intangible assets	Goodwill
Year ended March 31, 2017			
Opening net book amount as at March 31, 2016	$ 4,628	$ 47,901	$ 61,805
Additions	3,035	1,142	–
Additions through business acquisitions	90	9,197	6,736
Additions through asset acquisitions	–	5,904	–
Disposal and write-offs	(97)	–	–
Depreciation of property and equipment	(2,321)	–	–
Amortization of intangible assets	–	(14,750)	–
Foreign exchange differences	1	125	247
Closing net book amount as at March 31, 2017	$ 5,336	$ 49,519	$ 68,788
Three-month period ended June 30, 2017			
Opening net book amount as at March 31, 2017	$ 5,336	$ 49,519	$ 68,788
Additions	1,633	244	–
Additions through business acquisitions (note 3)	155	14,158	6,114
Disposal and write-offs	(15)	–	–
Depreciation of property and equipment	(606)	–	–
Amortization of intangible assets	–	(4,541)	–
Foreign exchange differences	6	67	461
Closing net book amount as at June 30, 2017	$ 6,509	$ 59,447	$ 75,363

8. Other payables:

	June 30, 2017	March 31, 2017
Contingent consideration	$ 15,446	$ 12,956
Balance payable on business acquisitions	5,797	5,845
CRTC tangible benefits	3,238	3,724
Post-employment benefit obligations	13	13
	24,494	22,538
Current position	(7,359)	(9,498)
	$ 17,135	$ 13,040

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

9. Share capital:

Authorized:

Unlimited number of subordinate voting shares, participating, without par value

Unlimited number of variable subordinate voting shares, participating, without par value

Unlimited number of multiple voting shares (10 votes per share), participating, without par value

Unlimited number of special shares, participating, without par value

Unlimited number of preferred shares issuable in one or more series, non-participating, without par value

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
Year ended March 31, 2017		
As at March 31, 2016		
Subordinate voting shares and variable subordinate voting shares	34,813,690	$ 100,924
Multiple voting shares	16,294,285	1,116
	51,107,975	102,040
Issued upon exercise of stock options		
Subordinate voting shares	218,391	660
As at March 31, 2017		
Subordinate voting shares and variable subordinate voting shares	35,032,081	101,584
Multiple voting shares	16,294,285	1,116
	51,326,366	$ 102,700

	Number of shares	Carrying amount
Three-month period ended June 30, 2017		
As at March 31, 2017		
Subordinate voting shares and variable subordinate voting shares	35,032,081	$ 101,584
Multiple voting shares	16,294,285	1,116
	51,326,366	102,700
As at June 30, 2017		
Subordinate voting shares and variable subordinate voting shares	35,032,081	101,584
Multiple voting shares	16,294,285	1,116
	51,326,366	$ 102,700

Transactions for the period ended June 30, 2017

On April 28, 2017, the Corporation declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $2,310 was paid on June 15, 2017.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

10. Supplemental cash flow information:

	Three-month periods ended			
		June 30, 2017		June 30, 2016
Trade and other receivables	$	(1,257)	$	(2,170)
Research and development tax credit		(201)		(190)
Inventories		201		189
Other current assets		(1,004)		(26)
Other non-current assets		(31)		(5)
Accounts payable and accrued liabilities		(3,898)		(1,793)
Deferred revenues		(440)		512
Income taxes payable		(74)		(8)
Other payables (CRTC tangible benefits)		(551)		(53)
	$	(7,255)	$	(3,544)

11. Share-based compensation:

Stock options plan

During the three-month period ended June 30, 2017, 661,421 options (2016 – 344,215 options) were granted at a weighted average exercise price of $7.62 (2016 – $7.27) to eligible employees. The weighted average fair value of the stock options granted during the three-month period ended June 30, 2017 was $1.63 (2016 – $2.08). This fair value was estimated at the date on which the options were granted by using the Black-Scholes option pricing model with the following assumptions:

	2017
Volatility	30.0%
Risk-free interest rate	1.12%
Expected life of options	5 years
Value of the subordinate voting share at grant date	$7.62
Expected dividend rate	2.37%

Total share-based compensation costs recognized under this stock option plan amount to $194 for the three-month period ended June 30, 2017 (2016 – $191).

Restricted share unit plan (“RSU”)

During the three-month period ended June 30, 2017, 375 RSU (2016 – nil) were granted at $7.50 to employees. During the three-month period ended June 30, 2017, 136,581 RSU (2016 – nil) were vested and settled in cash at $8.44 per unit to employees for a total amount of $1,218, including employees benefits. During the three-month period ended June 30, 2017, the total share-based compensation expense related to RSU plans amounted to $52 (2016 – $167). As at June 30, 2017, the fair value per unit was $7.88 (2016 – $6.99) for a total amount of $302 (2016 – $884) and was presented in accrued liabilities on the consolidated statements of financial position.

Performance share unit plan (“PSU”)

During the three-month period ended June 30, 2017, 145,177 PSU (2016 – 27,454 PSU) were granted at $7.60 (2016 – $6.98) to employees. During the three-month period ended June 30, 2017, the total share-based compensation expense related to PSU plans amounted to $137 (2016 – $43). As at June 30, 2017, the fair value per unit was $7.88 (2016 – $6.99) for a total amount of $498 (2016 – $43) and was presented in accrued liabilities on the consolidated statements of financial position.

(In thousands of Canadian dollars, unless otherwise stated)

Deferred share unit plan ("DSU")

During the three-month period ended June 30, 2017, 21,843 DSU (2016 – 17,126 DSU) were granted at a range of $7.56 to $7.62 to directors (2016 – $6.98). The total expense related to DSU plans amounted to $124 (2016 – $116). As at June 30, 2017, the fair value per unit was $7.88 (2016 – $6.99) for a total amount of $1,397 (2016 – $487) and was presented in accrued liabilities on the consolidated statements of financial position.

12. Financial instruments:

Financial risk factors:

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2017. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Fair values

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current other payables excluding the contingent consideration is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the revolving facility, bridge loan and term loan bearing interest at variable rates approximate their carrying value as they bear interest at prime or banker's acceptance rate plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk.

The carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, consist of the following:

As at June 30, 2017	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,622				
Trade and other receivables	29,637				
Financial assets measured at fair value					
Investments	$ 16,917	$ 16,917	$ –	$ –	$ 16,917
Financial liabilities measured at amortized cost					
Revolving facility	$ 61,036				
Accounts payable and accrued liabilities	29,215				
Other payables other than contingent consideration	3,251	3,251	–	–	3,251
Balance payable on business acquisitions	5,797	5,797	–	–	5,797
Financial liabilities measured at fair value					
Contingent consideration	$ 15,446	$ 15,446	$ –	$ –	$ 15,446

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

As at March 31, 2017	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,862				
Trade and other receivables	25,998				
Financial assets measured at fair value					
Investments	$ 17,351	$ 17,351	$ –	$ –	$ 17,351
Financial liabilities measured at amortized cost					
Revolving facility	$ 41,040				
Accounts payable and accrued liabilities	28,959				
CRTC tangible benefits and post-employment benefit obligation	3,737	3,737	–	–	3,737
Balance payable on business acquisitions	5,845	5,845	–	–	5,845
Financial liabilities measured at fair value					
Contingent consideration	$ 12,956	$ 12,956	$ –	$ –	$ 12,956

Fair value measurement (Level 3):

	Investments	Contingent consideration
Three-month period June 30, 2016		
Opening amount as at March 31, 2016	$ 16,943	$ 12,347
Additions through business acquisitions	–	1,122
Change in fair value	(91)	(68)
Payments	–	(1,247)
Closing amount as at June 30, 2016	$ 16,852	$ 12,154

	Investments	Contingent consideration
Period ended June 30, 2017		
Opening amount as at March 31, 2017	$ 17,351	$ 12,956
Additions through business acquisitions	–	6,525
Change in fair value	(434)	345
Payments	–	(4,380)
Closing amount as at June 30, 2017	$ 16,917	$ 15,446

There were no changes in the valuation techniques for the contingent consideration during the periods ended June 30, 2017 and 2016.

(In thousands of Canadian dollars, unless otherwise stated)

Investments

Equity instrument in a private entity

The fair value of the equity instrument in a private entity, AppDirect, was estimated using the market approach.

For the three-month period ended June 30, 2017 and 2016, the fair value has been measured by using the latest market transaction stock issue price, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There was no change in the fair value of this instrument during the three-month period as there were no market stock transaction or no other indicator of significant changes that could affect the fair value of the investment.

The equity instrument in a private entity is classified as a financial asset at fair value through profit and loss.

Convertible note

The convertible note has two components of value – a conventional note and an option on the equity of Multi Channels Asia PTE Ltd. ("MCA") through conversion. Based on its terms, the conversion option and the convertible note, together the hybrid contract, have been assessed as a whole for classification. The hybrid contract has been recognized at fair value on initial recognition and was classified as at fair value through profit or loss. For the period ended June 30, 2017, the convertible note was evaluated at its recoverable amount as the Corporation requested the repayment of the debenture in its entirely and is expecting a repayment of the total amount of US$1,000. For the period ended June 30, 2016, the fair value of the option component has been measured using the Black-Scholes model based on the price share resulting from the most recent financing round.

The fair value of the option component was estimated by using the Black-Scholes model with the following assumptions:

	2016
Volatility	40.0%
Risk-free interest rate	1.69%
Period	5 years
Dividend yield	–

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Contingent consideration

The contingent consideration related to business combinations are payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contract. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present the value of the cash flows, which is based on the risk associated with the revenue targets being met. The contingent consideration is classified as a financial liability and is included in other payables (note 8). The change in fair value is recognized in net finance expenses (note 6).

13. Related parties:

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and other key employees of the Corporation.

Key management personnel compensation, and director's fees are as follows:

	Three-month periods ended	
	June 30, 2017	June 30, 2016
Short-term employee benefits	$ 935	$ 781
Share-based compensation	159	160
Restricted share unit	81	47
Deferred share unit	124	116
	$ 1,299	$ 1,104

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

14. Basis of preparation:

a) Statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements. These interim consolidated financial statements have been prepared on a condensed form in accordance with IAS 34 "Interim Financial Reporting". Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements and the note thereto for the year ended March 31, 2017.

The auditors of the Corporation have not performed a review of the interim consolidated financial statements for the three-month periods ended June 30, 2017 and 2016.

The interim consolidated financial statements were authorized for issue by the Board of Directors on August 1, 2017.

b) Use of estimates and judgements:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2017.

c) Functional and presentation currency:

These interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

15. New and amended standard adopted by the Corporation:

IAS 7 – *Disclosure Initiative*

On January 7, 2016, the IASB issued amendments to IAS 7– *Disclosure Initiative.* The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Corporation intends to adopt the amendments to IAS 7 in its annual consolidated financial statements for the annual period beginning on April 1, 2017. These amendments did not result in any changes on the condensed interim consolidated financial statements.

IAS 12 – *Recognition of deferred tax assets for unrealized losses*

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Corporation adopted the amendments to IAS 12 in its financial statements for the annual period beginning on April 1, 2017. These amendments did not result in any significant changes on the condensed interim consolidated financial statements.

16. New and amended standards not yet adopted by the Corporation:

IFRS 9 - *Financial instruments*

In July 2014, the IASB released the final version of IFRS 9 - *Financial Instruments* (IFRS 2014). ("IFRS 9 (2014)") presents a few differences with IFRS 9 (2009) and IFRS 9 (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss model for calculating impairment on financial assets and a new general hedge accounting requirements. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation does not intend to early adopt IFRS 9 (2014). The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

IFRS 15 - *Revenue recognition*

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue and related interpretations such as IFRIC 13 - Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently evaluating the impact that this standard will have on its consolidated financial statements. The Corporation does not intend to early adopt the standard.

IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 - *Leases*. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 - *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 - *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 2 –*Share-based Payment*

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRIC 22 – *Foreign Currency Transactions*

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the Interpretation has not yet been determined.

stingray.com